

Message Text

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ACTION SS-25

INFO OCT-01 ADP-00 /026 W

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R 241323 Z JUN 73

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 4194

S E C R E T SECTION 1 OF 2 JIDDA 2613

EXDIS

EO 11652: GDS

TAGS: MASS, SA

SUBJECT: SAUDI INTEREST IN PURCHASING ADDITIONAL F-5' E' S

SUMMARY: NORTHROP COMPANY SALES REP INFORMS US PRINCE SULTAN INTERESTED IN ACQUIRING 70 RPT 70 ADDITIONAL F-5' E' S, 20 FOR SURE, NORTHROP ASSERTS, AND 50 ADDITIONAL QUITE LIKELY. NORTHROP OFFERING COMMENCE DELIVERIES EARLY '76 OR IF SAUDI WILLING PUT UP ADDITIONAL TOOLING FUNDS, THEN BY MID-'75. INITIAL AGREEMENT WITH USG REQUIRED BY JULY 1, 1973 (NORTHROP CONCEDES CONFIDENTIALLY THAT AS FAR THEY CONCERNED THIS COULD BE ALLOWED SLIP TO SEPTEMBER 1). WE HAVE INFORMED COMPANY REPRESENTATIVE THAT SULTAN HAS SAID NOTHING SO FAR TO US AND URGED KNOWLEDGE OF LATEST SAUDI REQUEST BE HELD AS CLOSELY AS POSSIBLE. COMMENT: SULTAN MAY IN FACT DESIRE ADDITIONAL F-5' E' S, BUT BECAUSE OF PENDING F-4 DEAL PREFERS NORTHROP INITIATE DISCUSSION WITH USG. WE DEPLORE IDEA OF POSSIBLE "GULF ARMS RACE," BUT BELIEVE WE CANNOT AFFORD TOO MUCH FOOT-DRAGGING WITH SAUDIS ON THIS ISSUE AND IN FACT ACQUISITION ONLY 20 ADDITIONAL F-5 E' S WOULD PROVIDE NOT UNREASONABLE-SIZED RSAF. MAN-POWER ISSUE IMPORTANT AND IF SULTAN ASKS US DIRECTLY FOR ADDITIONAL PLANES WE WOULD OF COURSE POINT OUT TO HIM THIS MOST IMPORTANT ASPECT. LEAVE TO DEPARTMENT AND DOD WHETHER TO SAY ANYTHING TO NORTHROP, THOUGH, IF NOTHING HAPPENS ON DEALFOR TOO LONG, WE THINK COMPANY WILL FIND WAYS TO STIMULATE SULTAN TO RAISE MATTER DIRECTLY WITH US. END SUMMARY.

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1. NORTHROP REPRESENTATIVE GEORGE STERLING CALLED JUNE 23 TO DESCRIBE TENTATIVE OFFER MADE TO SAG BY NORTHROP IN RESPONSE TO REQUEST OF PRINCE SULTAN FOR MORE F-5 E' S FOLLOWING MEETING AT PARIS AIR SHOW WITH NORTHROP CHAIRMAN TOM JONES. TEXT OF NORTHROP FOLLOW- UP LETTER TO SULTAN BEING SENT VIA SEPTEL.

2. IN ESSENCE, NORTHROP SAYS SULTAN HAS EXPRESSED INTEREST IN 70 RPT 70 ADDITIONAL F-5 E' S, WITH SULTAN INDICATING HE WISHES PROCEED IMMEDIATELY WITH ARRANGING FOR ACQUISITION OF NEXT 20 IN ORDER RECEIVE THEM AS SOON AS POSSIBLE FOLLOWING LAST DELIVERY IN SPRING OF 1975 OF THE CURRENT BATCH OF 30 F-5 E' S. NORTHROP STATES NO RPT NO ADDITIONAL F-5 E' S AVAILABLE UNTIL EARLY 1976, THOUGH EARLIER DELIVERY, BEGINNING ABOUT MID-1975, MIGHT BE ARRANGED IF SAG WILLING TO PUT UP FUNDS FOR ADDITIONAL TOOLING THAT WOULD ALLOW FASTER PRODUCTION RATE. IF LATTER HAS USG APPROVAL, THEN TOTAL OF 70 PLANES MIGHT BE DELIVERED BETWEEN MID-1975 AND END OF 1977 AT TWO TO THREE PER MONTH OR PERHAPS FASTER. NORTHROP BELIEVES SUCH DELIVERY RATE WOULD BE CONSISTENT WITH SAUDIS' " IN COUNTRY " PILOT TRAINING CAPABILITY.

3. NORTHROP HAS SPECIFIED THAT IF SAG WANTS DELIVERY OF THE 20 ADDITIONAL F-5 E' S TO COMMENCE BY MID- 1975, THEN SAG MUST HAVE SIGNED AGREEMENT WITH USG BY 1 JULY 1973 . (STERLING ADMITTED, HOWEVER, THAT THIS DEADLINE COULD PROBABLY BE SLIPPED TO SEPTEMBER 1, POSSIBILITY WHICH HE HAS NOT YET MENTIONED TO SAUDIS.)

4. TO SECURE DELIVERY OF REMAINING 50 ANOTHER USG- APPROVED AGREEMENT WOULD HAVE TO BE CONCLUDED BY 1 JANUARY 1974. WHEN WE ASKED HOW SERIOUS STERLING THOUGHT SAUDIS WERE IN ALL THIS, HE REPLIED HE THOUGHT SULTAN VERY DEFINITELY WISHED INITIAL 20 BUT THAT DECISION WAS STILL NOT FINAL WITH REGARD FURTHER 50. IN RESPONSE TO OUR QUESTION, STERLING SAID HE THOUGHT SAUDI APPROACH TO NORTHROP HAD BEEN DISCUSSED IN DOD WITH DSAA HEAD ADMIRAL PEET. STERLING DID NOT SAY WHETHER SULTAN HAD SPECIFICALLY ASKED FOR GOVERNMENT- TO- GOVERNMENT SALE BUT WE ASSUME SAUDIS
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WOULD PROBABLY WISH TO FOLLOW PEACE HAWK FORMULA.

5. STERLING STATED HE HAD PREVIOUS DAY SEEN PRINCE SULTAN AND THAT LATTER HAD TOLD HIM " SPECIAL COMMITTEE" FROM USAF WOULD SOON BE VISITNG SAUDI ARABIA TO DISCUSS F-4' S. SULTAN SUGGESTED NORTHROP SHOULD ARRANGE TO HAVE DOD INCLUDE IN F-4 TEAM TECHNICIANS PREPARED DISCUSS

POSSIBLE F- 5 E OFFER.

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TO SECSTATE WASHDC 4195

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6. WE TOLD STERLING THIS WAS FIRST WE HAD HEARD OF SULTAN' S INTEREST IN ADDITIONAL F-5 E' S AND THAT FOR MOMENT WE THOUGHT IT HIGHLY DESIRABLE KNOWLEDGE OF MATTER BE CLOSELY HELD. STERLING SAID HE UNDERSTOOD AND THAT COMPANY WOULD MAKE SURE KNOWLEDGE OF SAUDI INTEREST WAS LIMITED TO TOP LEVEL NORTHROP OFFICIALS ONLY.

7. COMMENT: WHILE WE SEE ELEMENTS OF DETERMINED SALES EFFORT ON NORTHROP' S PART, WE THINK IT QUITE POSSIBLE SULTAN DOES IN FACT DESIRE ADDITIONAL F-5 E' S, BUT THAT GIVEN CURRENT STATE OF PLAY REGARDING F-4, HE MAY WELL BELIEVE IT IMPOLITIC TO RAISE MATTER DIRECTLY WITH USG AT THIS TIME AND THAT HE IS THEREFORE LEAVING HIS REQUEST TO US TO BE MADE INDIRECTLY FOR HIM BY NORTHROP.

8. IF SULTAN' S REQUEST MATERIALIZES IN MORE DIRECT FORM, TOO MUCH FOOT- DRAGGING ON OUR PART MIGHT ERODE PRESENT STRONG SAUDI CONFIDENCE IN OUR WILLINGNESS MEET THEIR DEFENSE EQUIPMENT NEEDS (AND POSSIBLY ENCOURAGE SAG FURTHER TO CONSIDER PURCHASES FROM FRENCH OR BRITISH.)

9. MOREOVER, PERHAPS WE SHOULD KEEP IN MIND ALSO THAT IF, AS SULTAN HAS ASSERTED, UPON ACQUISITION OF F-4' S SAUDIS' PRESENT INVENTORY OF 40 BRITISH LIGHTNINGS IS PHASED OUT, THEN ALONG WITH CURRENTLY PLANNED F-5 DELIVERIES SAUDIS WOULD BE LEFT WITH A MODERN INTERCEPTOR FORCE OF SOME 80 AIRCRAFT. ADDITION OF 20 F-5 E' S WOULD STILL

PROVIDE A NOT UNREASONABLE NUMBER WHEN COMPARED WITH TOTALS

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MAINTAINED BY NEIGHBORING COUNTRIES.

10. MANPOWER IMPLICATIONS ARE NOT TO BE OVERLOOKED, OF COURSE. WE WOULD SURMISE PRELIMINARILY THAT ADDITION OF 20 F-5 E'S IN PERIOD MID -75 INTO 1977 COULD BE MANAGED FROM POINT OF VIEW OF PILOT TRAINING, THOUGH DEVELOPMENT OF GROUND CREWS AND MAINTENANCE TECHNICIANS WOULD CERTAINLY STRETCH CONSIDERABLE DISTANCE INTO FUTURE. INJECTION, HOWEVER, OF A FURTHER 50 F-5 E'S WOULD REPRESENT VERY FORMIDABLE CHUCK FOR RSAF TO ABSORB. WE WILL ASK USMTM TO TAKE MORE CAREFUL LOOK AT MANPOWER IMPLICATIONS OF POSSIBLE F-5 ACQUISITIONS.

11. THERE SEEMS NO REASON AT THIS STAGE TO RAISE MATTER WITH SULTAN. HOWEVER, SHOULD HE RAISE IT WITH ME, I WOULD PLAN REPLY THAT I WILL, OF COURSE, REFER HIS QUESTION AT ONCE TO WASHINGTON AND THAT I AM SURE USG WILL CONSIDER MOST CAREFULLY ANY INCREMENT OF ADDITIONAL AIRCRAFT HIS HIGHNESS MAY FEEL THAT HE REQUIRES, I WOULD ADD THAT AS IN CASE OF F-4'S, HOWEVER, WE ARE ANXIOUS NOT TO DELIVER PLANES SHOULD THERE BE ANY RISK THEIR STANDING IDLE IN HANGARS AFTER ARRIVAL AND THAT WE WILL ALWAYS URGE THAT BEST DEFENSE FOR SAUDI ARABIA IS A FORCE OF PLANES THAT IS REALLY OPERABLE AND COMBAT READY, I. E. FULLY MANNED. (ON THIS BASIS WE MIGHT AT LEAST BE ABLE PERSUADE SULTAN THAT PROGRAM OF STRETCHED OUT DELIVERIES BEGINNING EARLY 1976 IS BETTER THAN ONE IN SHORTER TIME FRAME AT ADDITIONAL COST.)

12. ASSUME DEPT WOULD SHARE OUR VIEW IT WOULD BE UNWISE CONSIDER INCLUDING F-5 TECHNICIANS WITH GROUP SENT HERE TO EXPLAIN AND WORK OUT DETAILS OF POSSIBLE F-4 SALE, AS STERLING CLAIMED SULTAN HAS SUGGESTED. WE LEAVE IT TO DEPT AND DOD DECIDE WHETHER ANYTHING FURTHER SHOULD BE SAID TO NORTHROP. IT MIGHT BE KEPT IN MIND, HOWEVER, THAT IF WE HEAR NOTHING FROM SULTAN, SAY NOTHING TO HIM AND DEAL SEEMS TO BE ON DEAD CENTER, NORTHROP MAY SEEK WAYS OF KEEPING THINGS MOVING, PERHAPS BY PRESSING SULTAN, THROUGH THEIR AGENT, KASHOGGI, TO APPROACH US. WE CAN ASSUME THAT MR. K. WILL BE KEPT FULLY INFORMED

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BY NORTHROP CONCERNING EVERYTHING THAT GOES ON AND THAT HE IN TURN WILL INFORM SULTAN FULLY OF ALL COMPANY TELLS HIM.

THACHER

NOTE BY OC/ T: JIDDA 2613 SECTION ONE RECEIVED BADLY GARBLED.
WILL BE PROCESSED UPON RECEIPT OF GOOD COPY. 6/24-1040 A

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